

**BUILDING A MICROFINANCE INDUSTRY IN THE
WEST BANK AND GAZA**

**Life of Project Implementation Plan
and
First Annual Work Plan**

Contract No. OUT-PCE-I-802-99-00007-00

Submitted To:
Mr. Johny Zeidan

Submitted By:
Charles Taylor, COP
Imad Hamze, Deputy COP

FINAL

February 28, 2001

**BUILDING A MICROFINANCE INDUSTRY IN THE
WEST BANK AND GAZA**

**Life of Project Implementation Plan
and
First Annual Work Plan**

FINAL

Charles Taylor, COP
Imad Hamze, Deputy Resident Advisor

Contract No. OUT-PCE-I-00-99-00007-00

February 28, 2001

ACRONYMS

AMIR	Access to Microfinance and Improved Implementation of Policy Reform Project
KAP	Knowledge Attitude and Practice
MAP	Market Access Project
MFI	Microfinance Institution
NGO	Non Governmental Organization
PMA	Palestinian Monetary Authority
USAID	United States Agency for International Development
WB/G	West Bank and Gaza

TABLE OF CONTENTS

Introduction	1
Effects of the <i>Intifada</i>	2
COMPONENT I	
Microcredit Forum	3
Activities	4
I.1. Informal assessment	
I.2. Concept paper prepared	
I.3. Lay groundwork for Microcredit Forum	
I.4. Forum meetings	
I.5. Examine experiences to establish Microfinance Association in other countries	
I.6. Best Practices Seminar(s)	
I.7. Networking with donor community	
I.8. Business Plan	
I.9. Draft by-laws and articles	
I.10. Equipment and software needs identified and costed	
I.11. Establish databanks/research center	
COMPONENT II	
Training	6
Activities	6
II.1. Utilize Jordan training programs	
II.2. Conduct a problem loan management seminar in West Bank/Gaza	
II.3. Investigation and planning deliverables	
II.4. Preparation and design	
II.5. Training of trainers	
II.6. Commencement of training	
COMPONENT III	
Information Campaign and Public Awareness	7
Activities	8
III.1. Review AMIR activities in this area	
III.2. Formulate project communications strategy	
III.3. Conduct KAP studies	
III.4. Set priorities and workplan, design campaigns, develop mailing lists	
III.5. Prepare series of fact sheets on key messages	
III.6. Implement phased strategy for website to support microcredit forum	
III.7. Develop relations with WB/G media	
III.8. Develop point-of-sale posters, handouts, flipcharts, etc. for loan offices	
III.9. Develop series of short videos for public broadcast	
III.10. Produce project newsletter every quarter	
III.11. Develop communications program monitoring, evaluation plans and indicators	

COMPONENT IV

Build Linkages	9
Deliverables	9
Activities	10
IV.1. Fact finding report	
IV.2. Assessment of NGOs as brokers	
IV.3. Negotiations between commercial banks and NGOs	
IV.4. Risk-sharing program	
IV.5. Evaluate establishment of wholesale lending facility	

COMPONENT V

Independent Credit Bureau	11
Deliverable	11
Activities	11
V.1. Background survey	
V.2. Review AMIR activities regarding credit bureau	
V.3. Roundtable presentation	
V.4. Review existing legislation	
V.5. In-depth market research study	
V.6. Information session	
V.7. Place notices for expression-of-interest	
V.8. Feasibility study and business plan	
V.9. RFP and workshop	
V.10. Evaluate responses and select winner	
V.11. Technical assistance and training for winner	
V.12. Credit bureau established and running	

COMPONENT VI

Studies, Seminars, and Analyses	13
Activities	14
VI.1. Obtain from AMIR (Jordan) relevant studies	
VI.2. Update Weidemann study	
VI.3. Consider MIS needs of banks and NGOs	
VI.4. Sustainability studies for NGOs	
VI.5. Business Plans for NGOs	
VI.6. Policy, legal, and regulatory framework study	
VI.7. Best-practices seminar	
VI.8. Seminar -- "How Borrowers Should Write a Business Plan"	
VI.9. Study on options for NGO to convert to microbank	
VI.10. Observational travel abroad to sustainable MFI	
VI.11. Sales training seminar	
VI.12. Managing people seminar	
VI.13. Regional market survey	
VI.14. Joint workshop with MAP	
VI.15. Study of commercial bank microlending techniques	
VI.16. Feasibility study of wholesale lending facility	
VI.17. Senior manager NGO/Bank partnering seminar	

COMPONENT VII

Financial Services 16**Deliverables 16****Activities 16**

- VII.1. Review ongoing program
- VII.2. Assess training needs - Arab Bank and Bank of Jordan
- VII.3. Fact finding memo - decision on new entrants
- VII.4. Study regarding account receivable financing for banks
- VII.5. Work with Arab Bank to market all bank products to micro borrowers
- VII.6. Work with the Arab Bank on establishing a microfinance subsidiary
- VII.7. Work with the Bank of Jordan to develop new financial products
- VII.8. Work with the Jordan National Bank to develop new products
- VII.9. Work with FATEN to develop new financial products
- VII.10. Adoption of new risk assessment technologies and automation

MONITORING AND EVALUATION 18**Monitoring 18****Evaluation 19**

Introduction

The following report is a combined presentation for the life of contract implementation plan and the first annual work plan for the Building a Microenterprise Industry in the West Bank and Gaza Project. The document will present a description of activities included in each of the contract's seven components and is followed by a section on monitoring and evaluation.

Chemonics International is implementing the project to enhance the potential for rapid growth of micro lending, and to make the availability of this product and other related financial services a permanent and sustainable feature in the West Bank and Gaza (WB/G). The goals of the project's seven components are as follows:

1. *Improve cooperation between microfinance practitioners* by establishing an industry association that promotes best practice principles and entry into the market by commercial banks.
2. *Strengthen microfinance skills* in the region through the establishment of a training program housed, sponsored, and accredited by local/regional institution.
3. *Increase the demand for microfinance services* through public awareness of the benefits and values of microfinance and to advocate for public policy and banking reforms.
4. *Create operational linkages* between NGO and commercial bank microfinance programs.
5. *Better inform credit decisions* through a sustainable privately-owned credit bureau that maintains accurate credit backgrounds of loan clients.
6. *Improve the understanding of microfinance programs in WB/G* through studies, seminars and applied research.
7. *Expand the range of financial products and types of microfinance institutions* operating in WB/G.

The project will strengthen cooperation with the Arab Bank and Bank of Jordan, counterparts of the previous West Bank and Gaza Microenterprise Lending Program completed in May 2000, in addition, attempt to identify a new banking institution to participate in the project.. The new project will build on achievements of the previous project¹ to achieve better profitability, efficiency and outreach.

¹disbursement of \$11.7 million of quality microloans to Palestinian microenterprises

Effects of the *Intifada*

The project mobilization was postponed from September 2000 to January 2001 due to the political uprising, or *Intifada*, in WB/G. The *Intifada* has seriously affected microfinance providers in the WB/G, though the damage has not been overwhelming. Over the period, past-due loans have accelerated at all of the microfinance providers, and they have responded by reducing new lending activity. The crisis peaked in early October and may programs have resumed new lending as the crisis has calmed down. Some providers are trying only treading water in this period while others are picking up their activity in anticipation of better times. The consensus is that if the relative calm can be brought to the region without further economic deterioration, microloan portfolios will recover. Though if the present situation continues for more than a few more months, providers may begin to suffer long-term effects.

The *Intifada* will significantly impact the priority and scheduling of project activities, though all seven components are expected to go ahead. Modifications to the project contract with USAID will not be required at this time. The *Intifada* is expected to affect the seven components as follows:

1. ***Microfinance Forum*** is a priority at this time, since it would provide attendees the opportunity to share experiences during this crisis, and develop solutions that would not otherwise be feasible.
2. ***Training*** will go ahead, because it is a good opportunity to take advantage of the free time of staff from the *Intifada* by using it for training. The training program of the AMIR Project in Jordan will probably be used for the first six months to give the project breathing room. In addition, a problem loan seminar will be conducted within the next sixty days to address the acute problems posed by the conflict. This one or two day seminar is currently being organized with Shorebank Advisory Services and will probably be conducted in Ramallah and in Gaza.
3. ***Public Awareness Campaign*** may be slowed due to the *Intifada*. It will be difficult to implement because the media and decision-makers are preoccupied with other issues. Mobility restrictions also make the logistics of the information campaign problematic at this time.
4. ***Building Linkages*** between the banks and the NGOs may take some time since they are all adjusting to the *Intifada* and are unlikely to enter into new risk sharing arrangements, though the microfinance forum will provide the opportunity for further discussion of the feasibility of linkage strategies in the future.
5. ***Independent Credit Bureau*** may be slowed because of initial findings that the Palestinian Monetary Authority (PMA) does not favor private ownership for the Credit Bureau, learned during a recent visit. Public ownership would directly contradict the spirit of the project contract.
6. ***Studies and Some Seminars*** will go forward because counterparts are interested in learning strategies to deal with the current situation.

7. ***Financial Products and Services*** development will go ahead with the Bank of Jordan, the Arab Bank and perhaps other banks. The conflict is not expected to interfere with the productive working relations that have already been developed, though the willingness of counterparts to expand in this period of uncertainty will still need to be assessed in more detail.

COMPONENT I

Microcredit Forum

- Deliverables** ⇒ A functioning Microcredit Forum for the microcredit industry
- ⇒ A set of standards for microcredit best-practices in the West Bank and Gaza

A microfinance forum will be developed to promote a set of microcredit best practices standards for WB/G. It will be the primary networking and participation mechanism for the project and perform functions such conducting seminars, training and study visits. It will advocate for legal and policy reforms through targeted research and coordinated appeals to the government, and it will promote the proliferation of new tools and technology to improve the efficiency and outreach of programs.

There was a failed attempt to form an association of commercial and non-profit microcredit providers, though a non-profit association was founded in Gaza in August 1999 that consists of eight NGO members². The project will work with this association to the greatest extent possible and attempt to found new more inclusive West Bank forum in Ramallah. There are still gigantic obstacles for profit and non-profit cooperation, though the high visibility of the project may induce better cooperation.

The project will develop a merit based accreditation system to help transparent and efficient microfinance programs gain better access to donor funding. Programs will apply for accreditation through a standardized procedure, which will include an audit of accounting and loan records. The voluntary system will protect the rights of members to appeal decisions and preserve proprietary information. Data will be compared to the average performance indicators in the region and recommendations will be made on how to best meet accreditation requirements. To help tie project activities to achievement, certified programs will be eligible for a more intensive level of capacity building assistance from the project. To be eligible for accreditation, the program must meet the following criteria³:

² The Palestinian Agricultural Relief Committee (PARC), Palatine for Credit and Development (FATEN), United Nations Relief and Works Agency for Palestinian Refugees (UNRWA), Catholic Relief Services (CRS), CARE International, Culture and Free Thought Association, UNIFAM, and Oxfam.

³ Criteria are based on USAID regulations concerning eligible recipients of microfinance capacity building assistance.

- ⇒ Offer microfinance services to women.
- ⇒ Set full-cost covering interest rates and fees.
- ⇒ Exhibit a commitment to attain full financial sustainability.
- ⇒ Meet applicable indicators of financial sustainability.
- ⇒ Have a financial sustainability plan.
- ⇒ Control loan delinquency.
- ⇒ Utilize agreed upon reporting standards for either poor or non-poor customers.

A project Internet site will be developed for clients, practitioners and donors to provide an overview of microfinance programs in WB/G. The site will be mirrored in Arabic and English and serve the following functions:

- ⇒ Maintain an active database of local consultants
- ⇒ Provide a chat room where practitioners can solve problems
- ⇒ Store on line documentation and research materials.
- ⇒ Link to the websites of member programs

Activities

1.1. Informal assessment

An informal assessment of stakeholders was conducted in January 2001 that included detailed interviews with four bank programs and eight financial NGOs. The survey provided an overview of the program performance of counterparts⁴ and assessed the effects of the September *Intifada* on loan portfolios. The project submitted a report, *The Impact of the Current Political Situation on the West Bank and Gaza Microfinance Industry*, to USAID in February.

1.2. Concept paper prepared

A concept paper will detail the strategy and activities of the forum for the first year and provide an assessment of expected participation by banks, NGOs and community-based NGOs that organize and implement local projects, hereafter referred to as civil society organizations.

1.3. Lay groundwork for Microcredit Forum

The forum will be regularly conducted in a location convenient to the central offices of practitioners (in the Ramallah/Jerusalem area). Meetings will be advertised through a promotional campaign of phone calls, visits and bulletins to raise awareness of potential counterparts of the objectives and activities of the forum.

⁴ "Counterpart" will refer to any microfinance program that participates in the project.

1.4. Forum meetings

Meetings will be held periodically. Because the forum will be heterogeneous, it will start informally and adapt to the various needs of members including practitioners, donors and government representatives. The meetings will stipulate that it will be open to all formally funded programs, regardless of their affiliation or methodology. The COP or Deputy Resident Advisor will preside over meetings in the early stages to provide an objective voice and help member better prioritize issues of greatest mutual concern. This function will be gradually transferred to natural leaders as they emerge through forum activities.

1.5. Examine experiences to establish Microfinance Association in other countries

The experience of the AMIR project in Jordan and the Egyptian Small and Micro Enterprise Association in Egypt will be explored to derive strategies, activities and lessons learned that are applicable to WB/G.

1.6. Best Practices Seminar(s)

A Best Practices Seminar will be conducted to train counterparts in risk management, management information systems, program outreach, loan marketing and organizational management. It will also serve as a opportunity to identify the needs of counterparts and stakeholders.

1.7. Networking with donor community

Donors that fund microfinance programs will be contacted to assess the needs of the industry from their perspective, including the capacity of programs to provide narrative and financial reports and the quality of their accounting and loan tracking systems. In addition to fact finding, this will help donors take advantage of new funding potentials created by the project.

1.8. Business Plan

The project will provide formal business planning services to the forum including a sales forecast break-even analysis. As the project develops, the need and timing for this will become more apparent.

1.9. Draft by-laws and articles

In time (year 2 or 3), the forum participants may chose to organize and register as a formal non-governmental organization so that it may enjoy all of the rights and responsibilities this entails. This will include the drafting of a charter and by-laws. This is important given the USAID regulation that support can only be provided to legal entities.

1.10. Equipment and software needs identified and costed

Forum facilities will probably share the project office in the beginning and later move to the facilities of the counterpart. The forum coordinator will be responsible for marketing, communication and developing new events. After meeting eligibility requirements the partner institution will be eligible for small grants (USD 5,000–25,000) for computers, equipment and short-term technical assistance.

I.11. Establish databanks/research center

A project database will track survey data and serve as an important analytic tool for project research activities. It will include actual and benchmark indicators for portfolio quality, field loan officer productivity, cost efficiency and financial sustainability. The project will develop and maintain the database during the project and explore how it may shift responsibility for its maintenance to a counterpart.

The project office will serve as an information center that stakeholders may use to access information on microfinance. The feasibility of augmenting an existing information center will be considered to avoid duplication with other providers.

COMPONENT II

Training

- Deliverables** ⇒ A pool of at least thirty accredited microcredit trainers trained in WB/G.
 ⇒ A training program housed, sponsored, and accredited by a local/regional institution

The project will train trainers who will later go on to serve counterparts such as NGOs, banks, public sector institutions and rural and urban practitioners. Wherever possible, Jordanian and Egyptian training consultants will be located given their valuable experience and communication skills. A suitable counterpart will be identified to house and implement the programs, responsible for the training of microfinance providers and clients (i.e. loan recipients and community groups).

Activities

II.1. Utilize Jordan training programs

The Institute of Bankers Studies in Jordan will be responsible for providing training in the early months of the project and will share training methods and lessons learned with the project. The role of AMIR will be phased out as capacity of the training program increases.

II.2. Conduct a problem loan management seminar in West Bank/Gaza

Shorebank International will present a seminar on problem loan management to teach counterparts the most effective methods for collecting payments and managing arrears.

II.3. Investigation and planning deliverables

A counterpart to house the training program will be identified. Potential candidates include the training institute attached to the Palestine Monetary Authority, a training company or university. The successful candidate will be chosen based on the quality of their administrative system, services and previous experience. Depending on its performance the partner will be eligible for financial assistance including office, equipment, supplies and personnel costs.

II.4. Preparation and design

The training curriculum will be developed or adapted for basic and advanced level courses for loan officers and staff. Case studies of banking programs in the region will be emphasized as models of sustainable cost effective programming. The curriculum will include full courses and special topic short courses. The AMIR Project in Jordan can transfer considerable experience and relevant materials and will be tapped.

II.5. Training of trainers

Student trainers will be screened through interviews and entrance exams to assure fair competition. This is crucial given the fast pace and demanding nature of the curriculum. Senior international and regional consultants will deliver workshops on microfinance and adult-learning skills such as interactive exercises, lesson planning and teaching methods. Certification for new trainers will be coordinated with the Ministry of Education or the Palestine Monetary Authority.

II.6. Commencement of training

Trainers will be required to attend at least two refresher courses per year to retain their training certification and maintain a specified level of training activity. Training consultants will provide feedback to student trainers when they begin to delivery courses.

COMPONENT III

Information Campaign and Public Awareness

- Deliverables** ⇒ An increase in the number of policy makers supporting microcredit best practices.
- ⇒ A bilingual information campaign developed and implemented.

It will help to increase the number of stakeholders who understand the importance of microfinance programs. The information campaign will use communication channels including fact sheets, brochures, special events, the Internet, newspaper, radio and television. Decision-makers will be encouraged to support issues important to the microfinance industry, especially the acceptance of interest rates high enough to cover program costs, including risk. The targets of the information campaign will include:

- ⇒ *Policy-makers* to understand what policies must be changed to achieve best practices and sustainability and how these changes will benefit the economy.
- ⇒ *Bank officials and NGO leaders* to understand the changes they must make in their lending programs and the support they can provide to promote microlending.
- ⇒ *Stakeholders* such as academics, media representatives, NGOs and community activists to understand what they can do to promote microfinance best practices and sustainability.
- ⇒ *Loan officers* to understand what they can do to improve their income and performance.
- ⇒ *The general public* to understand the potential and availability of credit for the improving their lives and the economy.

Activities

III.1. Review AMIR activities in this area

Materials from the AMIR program will be collected and analyzed, especially in reference to outreach channels and their effectiveness in reaching various targeted groups. Where appropriate, existing materials may be adapted.

III.2. Formulate project communications strategy

The communications strategy will identify target audiences, intermediary groups (such as mass media), desired behavioral changes, appropriate messages, communication channels and a monitoring and evaluation plan. Its main objective will be to improve the cost-effectiveness of the information campaign.

III.3. Conduct KAP studies

A knowledge, attitude, and practice (KAP) study will be conducted to develop a baseline for measuring the behavior changes of targeted groups. Respondents will be questioned on information sources they use and their opinions on microfinance. A mid-term survey will assess the changes in KAP indicators.

III.4. Set priorities and workplan, design campaigns, develop mailing lists

The workplan for the marketing campaign will detail the timeframe of marketing activities and an estimated budget. A mailing list of project stakeholders will be compiled from various sources including counterparts, donors and government agencies.

III.5. Prepare series of fact sheets on key messages

Arabic language fact sheets will be produced on key messages to inform policy-makers, practitioners, academics and other stakeholders. The information content will be decided on in consensus with USAID and other project counterparts. Information in these fact sheets will also form the basis for publications, broadcast interviews and the Internet website

III.6. Implement phased strategy for website to support microcredit forum

The Internet site will be targeted to the supply side of the industry (i.e. NGOs, banks and donors) because most potential borrowers do not have easy access to the Internet. It will serve as an important clearinghouse for microfinance information.

III.7. Develop relations with WB/G media

A workshop will be held with media representatives to brief them on the objectives and activities of the project to foster cooperation strategies and develop a closer working relationship. Preliminary plans will be made concerning their participation in the information campaign.

III.8. Develop point-of-sale posters, handouts, flipcharts, etc. for loan offices

Posters, handouts and flipcharts should be used at point-of-sale outlets to help loan officers better interface with potential borrowers working with the microfinance programs. Materials will be developed for both group lending and individual loan clients.

III.9. Develop series of short videos for public broadcast

Short microfinance television spots will be produced in cooperation with the Palestinian broadcasting agency to educate the public on microlending programs and success stories.

III.10. Produce project newsletter every quarter

The forum newsletter will report on news that affects the industry and upcoming forum events. It will be a project-marketing tool and will avoid extensive analysis that would consume staff time.

III.11. Develop communications program monitoring, evaluation plans and indicators

The monitoring plan will provide indicators and milestones to measure the impact of the communication program. While the project will work to increase overall awareness of microfinance by stakeholders, it will concentrate on those activities that are expected to have a measurable effect on the attainment of project objectives, such as sustainability, outreach and policy reform.

COMPONENT IV

Build Linkages

- Deliverables** ⇒ Two or three NGOs merged to better serve potential borrowers
 ⇒ One or more NGOs partnered with local commercial bank/s

The project will foster cooperation and operational linkages between programs to (1) enhance their efficiency and outreach, (2) reduce overhead expenses and incremental transaction costs and (3) gain unprecedented access to untapped credit markets. To date, cooperation between bank and NGO programs in WB/G has been limited and there is a great need and opportunity to develop common ground⁵.

The chasm that separates banks and NGO programs stems from their different agendas. Banks strive to meet existing demand of financial markets, while donor driven NGO programs work to create demand and achieve social objectives. For this reason, banks have been accused of avoiding clients with humanitarian needs while some NGOs have a reputation for poor performance and sustainability. In reality, the quality of WB/G microfinance programs vary significantly for both bank and NGO programs, and the different profit incentive structure is an important, but not overwhelming, force as successful NGO programs such as FATEN and UNRWA illustrate.

On the whole, banks attitudes toward capital investment in NGO programs is risky and does not offer substantial rewards. Unfortunately, this viewpoint overlooks the potential for linking with successful NGO programs and developing outreach methods in cooperation with community groups and other civil society organizations.

⁵ A lack of cooperation is evidenced in the failure to form an industry wide association in Gaza and the reservations expressed by some banks during project interviews to include NGOs in the forum.

There are new tools that can help to institute the efficiency, transparency and accountability required for capital investment, including new computerized risk management and automation technologies. The project will explore successful linkage models in the Middle East and beyond to develop new programs that can maximize the targeted relief of NGO programs and the efficiency and sustainability of bank programs.

Activities

IV.1. Fact finding report

A baseline survey will include an overview of existing linkage programs in WB/G and parameters for future cooperation. It will focus on:

- ⇒ *Descriptions of programs* including how they were generated (market or donor-driven) and the conditions they need to succeed.
- ⇒ *Constraints* and what needs to be done to overcome them.
- ⇒ *Geographic overlap* of participating microfinance programs.
- ⇒ *Tools and technology* that could be used to foster linkages between other programs.
- ⇒ *Applicable case studies* from other countries that could serve as a model.

A strategy paper based on the findings of the report will identify specific synergies between programs, linkages and indicators to measure success.

IV.2. Assessment of NGOs as brokers

Banks already provide fixed fee banking services for NGO donor capital including cash collection and disbursement. However, there are few, if any, examples of NGOs that manage bank capital, which could help NGOs to mobilize local capital and reduce donor dependencies. It could also enable NGOs, who are responsible for developing the microfinance skills of civil society organizations, to develop a clear exit strategy when capacity building is completed. In such a system, local community organizations could evaluate and select clients, disburse and collect payments and monitor loan performance for bank programs.

IV.3. Negotiations between commercial banks and NGOs

An annual roundtable discussion for senior managers of NGO and bank programs will take stock of linkage activities in the previous year and plan for future cooperation.

IV.4. Risk-sharing program

NGOs could sell portfolios of performing loans to commercial banks (especially individual secured loans to established businesses). A system for NGO clients to graduate to commercial products would allow NGOs to shift away from loan management and concentrate on capacity building. However, NGOs may be reluctant to share profitable clients with banks because borrowers with established credit experience are a major source of loan income and security. Unprofitable loans with small principle, low interest rates or poor repayment would be of little interest to banks.

IV.5. *Evaluate establishment of wholesale lending facility*

Ideally, a guarantee facility of commercial capital, similar to the Credit Guarantee Corporation in Egypt, could be established to allow quality programs to leverage their portfolio and capitalize their loan fund. A careful study to examine the need for and feasibility of a wholesale lending facility will be undertaken.

COMPONENT V

Independent Credit Bureau

Deliverable ⇒ A sustainable privately owned credit bureau is established

The project will establish a sustainable credit bureau that maintains a database of the credit backgrounds of microloan clients, enabling microfinance programs to make sound, informed credit decisions. The bureau has the potential to bolster the profitability of programs by reducing transaction costs and limiting the number of bad loans. It will also facilitate the introduction of new financial products for creditworthy borrowers such as housing loans, fixed asset loans and credit card accounts. In accordance with the project contract, the bureau will have the following characteristics:

- ⇒ Independent and privately owned
- ⇒ Reliable source of credit information from a secure, protected database
- ⇒ Linked to a well established US-Based credit bureau
- ⇒ Financially viable with revenues from service fees paid by the members

The credit bureau will target formal sector businesses with paid employees. The feasibility of extending it profitably to small household-based businesses in the informal sector is doubtful. Community groups and civil society organizations are a better source of credit history for these groups and this potential could be better realized through activities of the operational linkages component.

Activities

V.1. *Background survey*

A baseline and feasibility study for a WB/G credit bureau will be conducted based on interviews with commercial banks, MFIs, the PMA, and informal creditors. It will focus on:

- ⇒ *Elements* necessary for a credit bureau to be included in the request for proposal.
- ⇒ *Willingness of counterparts* to share credit and demographic information.
- ⇒ *Number and percentage of microfinance borrowers* likely to be included.
- ⇒ *Sources of quality-checked credit information* to be used in the database.
- ⇒ *Existing data collection mechanisms*, if any.

- ⇒ *Cost recovery plan* for the bureau.
- ⇒ *Credit indicators* and database design.
- ⇒ *Minimum credit information* required for various loan products.
- ⇒ *Laws and regulations* that affect a credit bureau.
- ⇒ *Requirements* of information suppliers and users.
- ⇒ *Cultural aspects* of credit history reporting.

V.2. Review AMIR activities regarding credit bureau

The AMIR project in Jordan will be useful in developing the credit bureau strategy. Connections have already been established with consultants with U.S. credit bureau experience and with institutions that can facilitate technology transfer and technical assistance.

V.3. Roundtable presentation

A roundtable meeting with commercial banks, financial NGOs, and the PMA will be convened (1) to follow up the survey results, (2) to help stakeholders agree on the objectives of the program and (3) to elicit support in accessing relevant credit information.

V.4. Review existing legislation and regulatory environment

The impact of laws on the establishment and operation of a credit bureau will be examined in cooperation with other policy projects. A fact-finding memo will form the basis for advocacy with relevant agencies including the PMA.

V.5. In-depth market research study

The market for credit bureau services will be explored through an in-depth market study. It will be based on primary research with the suppliers and users of credit history information and determine the market price for credit information services in the WB/G. The study will also serve as an advocacy tool to convince counterparts of the value of participating in the forum.

V.6. Information session

Expression-of-interest respondents and information suppliers and users will meet to ask questions about eligibility and deliverables outlined in the request for proposal.

V.7. Place notices for expression-of-interest

Advertisements in local newspapers will elicit expressions of interest from institutions or individuals eligible to establish the credit bureau. Criteria for selection will include the qualifications of the proposed managing director and capital investment criteria.

V.8. Feasibility study and business plan

Business planning for the new bureau will include an information gathering strategy, database development, counterpart coordination, cash flow analysis and revenue forecast based on the results of the feasibility study.

V.9. Request for proposal

The request for proposal will be prepared based on information from the background feasibility study and relevant articles of the United States Fair Credit Reporting Act. A Palestinian judicial expert will review draft before it is formalized.

V.10. Evaluate responses and select winner

The successful applicant will meet all of the eligibility requirements outlined in the request for proposal, showing they can achieve objectives and implement activities at a reasonable cost.

V.11. Technical assistance and training for winner

The capacity building program will be developed and delivered following the selection of a credit bureau counterpart, consisting of marketing, accounting, management, database development and personnel support.

V.12. Credit bureau established and running

Credit bureau operations will be evaluated on the basis of how well they market their services, maintain their credit database and manage the program (i.e. accounting and personnel). The monthly reports will keep USAID informed on the activities and achievements of the credit bureaus throughout the project

COMPONENT VI

Studies, Seminars, and Analyses

Deliverables ⇒ Six to seven surveys/studies produced in areas or policies that would significantly improve the implementation of microfinance.

We will assist in developing a series of studies on subjects and seminars on the WB/G microfinance industry, chosen on the basis of their ability to improve the performance of microfinance programs and respond to the expressed needs of stakeholders. Seminars may be conducted on subjects such as outreach, business planning, management and marketing. Studies conducted in tandem will fill important information gaps such as (1) credit and collateral policies of banks, (2) legal problems of collecting defaulted loans, (3) constraints to borrowing by women and (4) level of centralization in credit decision-making.

Activities

VI.1. Obtain from AMIR (Jordan) relevant studies

Information concerning the impact of factors such as laws, culture and attitudes on microfinance programs will be examined from the AMIR project experiences in Jordan.

VI.2. Update Weidemann study

The regional market survey of financial services by Weidemann Associates, *Enabling Commercially Viable Financial Services*, will be updated through interviews and other primary research. The updated report will serve as the basis for program business planning, and it will capture differences between the West Bank and Gaza and between urban and rural markets.

VI.3. Consider MIS needs of banks and NGOs

The management information systems of counterparts will be assessed, and wherever possible, programs will be encouraged to share tools such as loan tracking and accounting software for a fee.

VI.4. Sustainability studies for NGOs

Counterparts will be provided with technical assistance in business planning, including cash flow and break even analysis. In addition to analyzing the current client base, the technical assistance will work with counterparts to develop methods to locate other viable borrowers.

VI.5. A Study of Women and Microfinance

A study leading to increased access to microfinance on behalf of women will be conducted.

VI.6. Policy, legal, and regulatory framework study

Laws and regulations affecting the WB/G microfinance industry will be studied in cooperation with other USAID projects. Those regulating the establishment and operation of microfinance banks are of special concern, especially in reference to monitoring, deposit mobilization, minimum capitalization and policy toward unsecured credit.

VI.7. Best-practices seminar

A high profile five-day workshop will be conducted to identify needs of important stakeholders and to discuss challenges of applying best practice principles in the region. It will analyze the causal linkages between constraints, problems and possible solutions. Participants will analyze how client groups and regions differ and what can be done in response to the effects of the *Intifada*. This important feedback mechanism will help target interventions and achieve project deliverables cost-effectively.

VI.8. Seminar on how borrowers should write a business plan

A seminar that will focus on how borrowers should portray their business to a lender in order to obtain a loan.

VI.9. Study on options for NGO to convert to microbank

A background and feasibility study will be conducted to identify opportunities and constraints of establishing a microbank, including the legal environment and administrative requirements. The study will form the conceptual groundwork for the subsidiary establishment activities of the financial services component. FATEN is the likely targeted client for this work.

VI.10. Observational travel abroad to sustainable MFI

Study trip to particularly successful microcredit programs will be organized for microfinance decision-makers. The technical fact-finding mission will concentrate on gathering the necessary tools to replicate the experience in WB/G.

VI.11. Sales training seminar

A sales training seminar will train program staff on marketing and sales methods that will help them predict and improve the sale of financial services. A special emphasis will be the development of new outreach and communication channels capable of reaching new clientele.

VI.12. Managing people seminar

The managing people seminar will provide basic management training to senior and middle level program staff. It will emphasize the importance of creating a flexible and rewarding work environment for employees, and stress the need for incentive structures based on loan recovery.

VI.13. Regional market survey

A market survey of a specific industry or geographic segment in the West Bank and Gaza.

VI.14. Joint workshop with MAP

The project will jointly sponsor a workshop with the Market Access Project (MAP) that provides firm-level assistance to small and medium enterprises. The emphasis of the workshop will be to link the business clients of MAP with the credit services clients of our project. This will enable borrowers to access MAP technical assistance and MAP clients to access credit.

VI.15. Study of commercial bank microlending techniques

A study on the methods of successful bank microlending programs will be conducted. It will document the elements of a successful commercial microlending program and develop strategies for use by NGOs to attain similar results.

VI.16. Feasibility study of wholesale lending facility

A study which will determine the feasibility of creating a wholesale lending facility which will provide MFIs with a source of funds to create loans.

VI.17. Senior manager NGO/Bank partnering seminar

A seminar NGO and Bank partnership will be conducted to inform decision-makers of the benefits and methods of cooperation. The seminar will teach them about the potential of such strategies and is intended to create new demand.

COMPONENT VII

Financial Services

- Deliverables** ⇒ At least two new financial products for microentrepreneurs introduced.
 ⇒ A microfinance subsidiary under one of the commercial banks possibly established.

The goal of the financial services component is to provide a wider range of financial services to micro borrowers with an equal emphasis on the needs of women microentrepreneurs. An important part of this strategy will be continued capacity building assistance to the Arab Bank, the Bank of Jordan, and any other potential banks. To further strengthen the outreach and protect the microcredit lines within these banks, recommendations on policy and procedures will be made to the Bank of Jordan and the Arab Bank based on feedback from the needs assessment workshop and experience from the previous project.

Management tools will be shared between programs, particularly management information system software. For example, the FATEN loan tracking and accounting system developed by Save the Children may be shared with other programs for a fee.

Activities

VII.1. Review ongoing program

The experience and background of the Arab Bank and the Bank of Jordan programs will be studied for with a view to identifying the focus of capacity building for the project. A technical plan will outline new loan services and extension strategies for new geographic markets. The MIS system will be evaluated, the business plan will be updated and an operational template for new branches will be designed.

VII.2. Assess training needs - Arab Bank and Bank of Jordan

Based on the findings of the program review, a training program will be developed to achieve the objectives of the project. It will be based on a needs assessment analysis and feedback from the programs.

VII.3. Fact finding memo - decision on new entrants

One or two additional banks interested in establishing a commercial microlending program will be identified in a fact-finding memorandum. They will subsequently take part in the technical assistance program with the Arab Bank and the Bank of Jordan.

VII.4. Study regarding account receivable financing for banks

The feasibility of extending credit to microcredit programs to improve their cash flow based on their receivable accounts will be explored. The political situation may impact the feasibility of this sort of financing given mounting arrears in the period.

VII.5. Work with the Arab Bank regarding marketing all bank products to micro borrowers

The feasibility of extending other financial products to the current microcredit client base will be explored. These could include fixed asset and housing loans and credit card accounts.

VII.6. Work with the Arab Bank on establishing a microfinance subsidiary

A financially viable wholly owned subsidiary might be established at the Arab Bank capable of operating autonomously of other bank operations. The process will include a feasibility study, a business plan and technical assistance.

VII.7. Work with the Bank of Jordan to develop new financial products

New products could include housing loans, credit card accounts, fixed asset loans or savings products tailored to the needs of microentrepreneurs.

VII.8. Work with the Jordan National Bank to develop new products

New products will be developed with the Bank of Jordan and JNB based on the market survey and needs assessment.

VII.9. Work with FATEN to develop new financial products

The project will work with FATEN to design new financial products that cater to the needs of their client base. The target of these services is expected to be of a lower income than commercial banking clients, and work to improve them will form a valuable model for other programs in the region wishing to down scale their services.

VII.10. Adoption of new risk assessment technologies and automation

Loan processing and automation technology will be explored. For example, technology such as the SmartCard could help monitor and control cash flow and provide programs with a clear and comprehensive audit trail. Such technology could free up the time of FLOs involved in the collection of regular payments and allow them to spend more time on business advisory services and the follow up of arrears. The project will promote applied research for technologies with exceptional potential.

MONITORING AND EVALUATION

Monitoring

Project monitoring activities will include monthly reports on project activities and performance. The following indicators serve as a general guideline for the monitoring plan:

Component	Performance Indicators	Results Indicators
I. Microcredit forum	⇒ Participation by MFI staff ⇒ Events hosted ⇒ Training delivered ⇒ Meetings held ⇒ New members recruited	⇒ MFI profitability ⇒ MFI outreach ⇒ MFI client evaluations ⇒ Knowledge of members
II. Training	⇒ Trainers trained ⇒ Clients trained ⇒ Student trainer retention ⇒ # of training sessions	⇒ MFI Arrears and % of bad loans ⇒ MFI Outreach ⇒ Student evaluation ⇒ Exam results
III. Advocacy and public awareness	⇒ # of marketing channels used ⇒ # of people exposed to messages ⇒ Cost-effectiveness of activities	⇒ Community support ⇒ Policies changed ⇒ Best practices applied
IV. Operational linkages	⇒ Meetings held ⇒ Stakeholder participation ⇒ Improved knowledge and acceptance of benefits of linkages	⇒ Number of new linked programs ⇒ Outreach of linked programs ⇒ Sustainability linked programs ⇒ Portfolio quality of linked programs
V. Credit bureau	⇒ # of interested applicants ⇒ Attendance of planning meetings	⇒ Number of credit information sources ⇒ Quality of credit information sources ⇒ Membership and fees generated

VI. Studies, seminars, and analyses	⇒	Involvement of local experts	⇒	MFI Outreach
	⇒	Participation of stakeholders	⇒	MFI Sustainability
	⇒	Attendance and feedback from needs assessment workshop	⇒	MFI Portfolio quality
	⇒	Ease of access to microfinance industry data.	⇒	Expressed needs of counterparts that are addressed by the project
			⇒	Relevance of studies to the needs of the industry
VII. Financial services	⇒	Number of NGOs and banks introducing new products	⇒	New geographic markets served
			⇒	Profitability of new products
	⇒	Number of new products introduced	⇒	MFI Outreach
	⇒	Successful establishment of MFI subsidiary	⇒	MFI Sustainability
			⇒	MFI Portfolio quality

Evaluation

A mid-term project evaluation will be conducted by a senior specialist with the following objectives (1) assess progress toward stated objectives; (2) identify problem areas in each component and proposing solutions to overcome them (3) review customer or client satisfaction and (4) create an action plan to ensure that the basic elements of a microfinance industry are in place before the project ends. The final evaluation will be conducted to measure the achievement of project results outlined in the annual workplans according to USAID regulations.

Building a Microfinance Industry in the West Bank and Gaza

Life of Project Workplan

Components	Client	Resource/ Inputs	2001												2002					2003			
			Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Component #1 -- Microcredit Forum																							
1. Informal assessment	CB, NGO	PM																					
2. Concept paper prepared		PM																					
3. Lay groundwork for Microcredit Forum	CB, NGO	PM																					
4. Hold first meeting	CB, NGO	PM																					
5. Examine experiences from other countries	AMIR	PM																					
6. Best Practices Seminar(s)	CB, NGO	HO, OC, PM																					
7. Networking with donor community	CB, NGO	PM																					
8. Business Plan	CB, NGO	CB, NGO, OC, PM																					
9. Draft by-laws & articles	CB, NGO	CB, NGO, PM																					
10. Equipment & software needs identified & costed	CB, NGO	CB, NGO, PM																					
11. Establish databanks/research center	CB, NGO	CB, NGO, OC, PM																					
Component #2 -- Training -- Items to be reviewed and agreed upon with Shorebank																							
1. Utilize Jordan training programs	CB, NGO	AMIR																					
2. Conduct problem loan management seminar	CB, NGO	SB																					
3. Investigation & planning deliverables	CB, NGO, TI	SB																					
4. Preparation & design	TI	SB																					
5. Training of trainers	TI	SB																					
6. Commencement of training	CB, NGO, TI	SB																					
Component #3 -- Information Campaign & Public Awareness																							
1. Review AMIR activities in this area	AMIR	PM																					
2. Formulate project communications strategy		HO, USAID																					
3. Conduct KAP studies		HO, OC																					
4. Set priorities and workplan, design campaigns, develop mailing lists		HO, OC, PM, USAID																					
5. Prepare series of fact sheets on key messages		HO, OC, PM, USAID																					
6. Implement phased strategy for website to support microcredit forum	CB, NGO	HO, OC, PM, USAID																					
7. Develop relations with WB/G media	LM	HO, OC, PM, USAID																					
8. Develop point-of-sale media posters, handouts, flipcharts, etc.	CB, NGO	HO, OC, PM, USAID																					
9. Develop series of short videos for public broadcast	LM	HO, OC, PM, USAID																					
10. Produce project newsletter every quarter		HO, OC, PM, USAID																					
11. Develop communications monitoring and evaluation plan		HO, PM																					

Building a Microfinance Industry in the West Bank and Gaza

Life of Project Workplan

Components	Client	Resource/ Inputs	2001												2002					2003			
			Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Component #4 -- Build Linkages																							
1. Fact finding report	CB, NGO	PM																					
2. Assessment of NGOs as brokers	NGO	PM																					
3. Negotiations between commercial banks and NGOs	CB, NGO	PM																					
4. Risk-sharing program	CB, NGO	PM																					
5. Evaluate establishment of wholesale lending facility	CB, NGO	PM																					
Component #5 -- Independent Credit Bureau *																							
1. Background survey	CB, NGO	OC, PM																					
2. Review AMIR activities regarding credit bureau	AMIR	PM																					
3. Roundtable presentation	CB, NGO	PM																					
4. Review existing legislation and regulatory environment	PA	PM																					
5. In-depth market research study		OC																					
6. Information session	CB, NGO, USAID	PM																					
7. Place notices for expression-of-interest																							
8. Feasibility study and business plan		HO, OC, PM																					
9. Request for proposal		PM, HO																					
10. Evaluate responses & select winner		PM, HO																					
11. Technical assistance & training for winner	Winner	PM, HO																					
12. Credit bureau established & running	CB, NGO																						
Component #6 -- Studies, Seminars, & Analyses																							
1. Obtain from AMIR (Jordan) relevant studies	AMIR	PM																					
2. Update Weidemann market study		OC, PM																					
3. Consider MIS needs of banks and NGOs	CB, NGO	PM																					
4. Sustainability studies for NGOs	NGO	OC, PM																					
5. Business Plans for NGOs	NGO	OC, PM																					
6. Policy, legal, & regulatory framework study	PA	OC, PM																					
7. Best-practices seminar	CB, NGO	HO, OC, PM																					
8. Seminar on how borrowers should write a business plan	CB, NGO	OC, PM																					
9. Study on options for NGO to convert to microbank	NGO	OC																					
10. Observational travel abroad to sustainable MFI	CB, NGO	HO, PM																					
11. Sales training seminar	CB, NGO	OC																					
12. Managing people seminar	CB, NGO	OC																					
13. Regional Market Survey	CB, NGO	OC																					
14. Joint workshop with MAP	CB, NGO	MA, PM, POC																					
15. Study on women and microfinance	CB	OC, PM																					
16. Feasibility study of whole sale lending facility	CB, NGO	OC																					
17. Senior manager NGO/Bank partnering seminar	CB, NGO	PM																					

* Schedule depending on PMA's support

Building a Microfinance Industry in the West Bank and Gaza

Life of Project Workplan

Components	Client	Resource/ Inputs	2001												2002					2003			
			Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Component #7 -- Financial Services																							
1. Review ongoing program	AB, BJ	PM																					
2. Assess training needs - Arab Bank & Bank of Jordan	AB, BJ	PM																					
3. Fact finding memo - decision on new entrants	CB, NGO	PM																					
4. Study regarding account receivable financing for banks	CB	PM																					
5. Work with to market all Arab Bank products to micro borrowers	AB	PM																					
6. Work on establishing a microfinance subsidiary	AB	OC, PM																					
7. Work with banks and NGOs to develop new financial produts	CB, NGO	PM																					
8. Adoption of new risk assessment technologies & automation	CB, NGO	PM																					
Reporting, Monitoring and Evaluation																							
Monthly Progress/Performance Reports	USAID	PM																					
Monthly Financial Reports	USAID	PM																					
Completion Report	USAID	PM, HO																					
Annual Work Plans	USAID	PM, HO																					
Evaluations	USAID	OC, HO, PM																					

AB – Arab Bank

BJ – Bank of Jordan

CB – Commercial Banks

F – FATEN

HO – Head Office Chemonics

IB – Investment Banks

JNB – Jordan National Bank

LM – Local Media

MAP – Market Access Program

NGO – Non-Governmental Organizations

OC – Outside Consultant

PA – Palestinian Authority

PM – Program Management – Local

SB – Shorebank

TBD – To Be Determined

TI – Training Institute